

Message Text

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ACTION AID-20

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FM AMEMBASSY PARIS

TO AMEMBASSY SAIGON

INFO SECSTATE WASHDC 3603

C O N F I D E N T I A L PARIS 25555

E.O. 11652: GDS

TAGS: EAID, EFIN, VS, FR

SUBJECT: FRENCH LOAN TO VIET-NAMESE CEMENT PLANT

REF: A. SAIGON 16079; B. SAIGON 16904

1. EMBOFF RAISED QUESTION OF FRENCH LOAN FOR EXPANSION OF HA TIEN CEMENT PLANT WITH THEROND, OFFICIAL IN EXTERNAL BILATERAL RELATIONS, FRENCH TREASURY, DURING CONVERSATION ON RELATED SUBJECTS (SEPTTEL). THEROND MADE THE FOLLOWING POINTS:

(A) HA TIEN LOAN IS NOT OPERATION IN FRAMEWORK FRENCH AID TO INDO-CHINA, FOR WHICH PROGRAM NOT YET FIXED. NEGOTIATIONS ON AID TO SOUTH VIETNAM WILL GET UNDERWAY IN OCTOBER.

(B) LOAN IS COMMERICAL, GUARANTEED BY COFACE, FRENCH SEMI-PUBLIC EXPORT-CREDIT INSURANCE AGENCY. THERE ARE NO PUBLIC FUNDS INVOLVED IN LOAN. IT HAS, HOWEVER, BEEN TREATED AS "EXCEPTIONAL CASE," AND THUS LOW-INTEREST TERMS ARE POSSIBLE BY "STRETCHING THE LIMITS OF COFACE'S TECHNICAL ARSENAL."

(C) NEGOTIATIONS ARE WELL ON ROAD TO COMPLETION, WITH ONLY SOME TECHNICAL POINTS REMAINING ABOUT WHICH HE COULD NOT GIVE DETAILS. HE DID NOTE THAT ONE QUESTION BEING DISCUSSED WAS FUNDS NECESSARY TO COVER INCREASED LOCAL COSTS (APPARENTLY A REFERENCE TO EXTRA 10 MILLION FRACS NOTED REFTTEL B). IN SEPARATE CONVERSATION WITH QUAI OFFICIALS ANOTHER EMBOFF TOLD APPROVAL ALREADY GRANTED FOR ADDITIONAL 10 MILLION.

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2. COMMENT: (A) COFACE IS INSURANCE AND NOT LENDING AGENCY. IT IS DIFFICULT TO SEE HOW FRENCH BANKS COULD MADE COMMERCIAL LOAN ON SUCH TERMS ("ABOUT 4 PERCENT," WHEN COST OF MONEY IS CURRENTLY MORE THAN DOUBLE THAT FIGURE) WITHOUT SOME SUBSIDIZATION BY GOVERN-

MENT OF INTEREST RATE OR OTHER SUPPORT FROM PUBLIC FUNDS, EXPRESSLY DENIED BY FRENCH TREASURY. THUS, WHILE WE FEEL WE DON'T HAVE FULL STORY ON THIS OPERATION, WE SEE NO POSSIBILITY OF DISCUSSING FURTHER WITH FRENCH AUTHORITIES. A MATTER GOFCCLAIMS TO BE PRIVATE.

(B) GIVEN NON-GOVERNMENTAL NATURE OF THIS LOAN, FRENCH REGARD ITS TERMS AS VERY FAVORABLE, WHEREAS GVN AND IMF REPRESENTATIVE TAKE OPPOSITE VIEW. IN ANY CASE, SINCE FRENCH TREASURY STATES LOAN IS OUTSIDE SCOPE FRENCH AID PROGRAM, ARGUMENT CAN BE MADE THAT IT IS NOT A PRECEDENT FOR FUTURE LOANS OF FRANCE OR OTHER COUNTRIES WITHIN FRAMEWORK OFFICIAL ASSISTANCE PROGRAMS FOR VIET-NAM (PARA 3, REFTTEL A).

IRWIN

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